

Message Text

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ACTION SS-25

INFO OCT-01 ISO-00 SSO-00 NSCE-00 /026 W

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P 061711Z NOV 74

FM AMEMBASSY THE HAGUE

TO SECSTATE WASHDC PRIORITY 4662

SECDEF WASHDC PRIORITY

S E C R E T SECTION 1 OF 2 THE HAGUE 5393

FOR THE ACTING SECRETARY FROM THE AMBASSADOR

DOD FOR ISA ASST. SECRETARY ELLSWORTH

EB FOR ASST SECY FOR ECON AFFAIRS ENDERS AND DEPUTY ASST SECY
WALDMANN

PASS CAB, MR. TIMM

PASS WHITE HOUSE FOR MR. RUMSFELD

EXDIS

E.O. 11652: GDS

TAGS: EAIR, MASS, NL

SUBJECT: POSSIBLE CONFLICT BETWEEN US-GON CIVAIR TALKS
AND GON F-104 REPLACEMENT DECISION

1. SUMMARY:

THE SECOND ROUND IN CURRENT US-DUTCH CIVAIR
NEGOTIATIONS BEGINS MONDAY, NOVEMBER 11. WE URGENTLY
RECOMMEND THAT THESE NEGOTIATIONS NOT BE PERMITTED TO
FOUNDER NOR THAT THE U.S. THREATEN ANY UNILATERAL
ACTION BECAUSE EITHER OF SUCH EVENTS WOULD HAVE
INEVITABLE AND SERIOUS IMPACT UPON THE HOPED-FOR
JANUARY DECISION BY THE DUTCH -- AND CONSEQUENTLY BY
THE OTHER THREE CONSORTIUM MEMBERS -- TO SELECT THE
AMERICAN LWF AS THE F-104 REPLACEMENT AIRCRAFT. NO
MATTER HOW GREAT A FINANCIAL BENEFIT COULD BE EXTRACTED

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FROM KLM BETWEEN NOW AND JANUARY 1975 TO THE ADVANTAGE

OF THE US CARRIERS THIS AMOUNT WOULD BE TOTALLY INCON-
SEQUENTIAL IN RELATION TO THE ENORMOUS ECONOMIC BENEFITS
THAT AMERICA WILL LOSE IF THE CONSORTIUM OPTS AGAINST
THE AMERICAN LWF. FURTHERMORE, SUCH AN ADVERSE DECISION
WOULD HAVE GRAVE POLITICAL AND MILITARY CONSEQUENCES.
END SUMMARY.

2. THE PURPOSE OF THIS MESSAGE IS TO FOCUS ATTENTION
ON THE INTERRELATION AND POSSIBLE COLLISION OF TWO
PRIMARY AMERICAN POLICIES: ON THE ONE HAND THE AMERICAN
OBJECTIVE OF PERSUADING THE NATO FOUR-NATION CONSORTIUM
(BELGIUM, DENMARK, THE NETHERLANDS AND NORWAY) TO SELECT
AN AMERICAN LIGHT WEIGHT FIGHTER TO REPLACE THEIR AGEING
AIRCRAFT; AND ON THE OTHER HAND, THE AMERICAN OBJECTIVE
OF RESTRUCTURING THE NORTH ATLANTIC PATTERN OF AIR TRAVEL
TO THE ADVANTAGE OF AMERICAN CARRIERS WHO ARE EXPERIENCING
SUBSTANTIAL LOSSES.

3. AFTER A YEAR OF INTENSE MILITARY-POLITICAL NEO-
TIATIONS, THE REPLACEMENT AIRCRAFT SELECTION IS COMING
INTO THE HOME-STRETCH, WITH A DECISION BY THE CONSOR-
TIUM FROM AMONG AMERICAN, FRENCH AND SWEDISH CANDIDATES
EXPECTED TO BE MADE IN JANUARY AFTER THE DOD MAKES ITS
SELECTION BETWEEN THE GD FY-16 AND NORTHROP FY-17, THE
TWO AMERICAN LWF CANDIDATES.

4. PROSPECTS FOR SELECTION OF THE AMERICAN LWF BY THE
DUTCH, WHO INITIATED AND PLAY A SUBSTANTIAL ROLE IN THE
CONSORTIUM, HAVE BEEN PROMISING. THE DUTCH MILITARY HAVE
INDICATED THEIR STRONG PREFERENCE FOR AN AMERICAN PRODUCT,
AND THE OUTLOOK FOR THE DUTCH GOVERNMENT TO ACCEPT THE
EXPECTED RECOMMENDATIONS OF THEIR MILITARY HAS APPEARED
BETTER THAN EVER. HOWEVER, IN MID-OCTOBER THE US-DUTCH
HORIZON WAS CLOUDED BY THE COMMENCEMENT OF CIVIL AIR
NEGOTIATIONS WHICH ARE TO BE RESUMED ON MONDAY, NOVEMBER 11
IN WASHINGTON. THE CONDUCT AND POSSIBLE OUTCOME OF NEXT
WEEK'S NEGOTIATIONS COULD HAVE A SUBSTANTIAL BEARING ON
THE DUTCH LWF DECISION IN JANUARY.

5. THE CAB DECISION TO INITIATE NEGOTIATIONS WAS BASED
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UPON THE FACT THAT KLM HAS BEEN VIOLATING ITS BILATERAL
AIR AGREEMENT TO THE DISADVANTAGE OF AMERICAN CARRIERS
FOR SEVERAL YEARS, PRIMARILY THROUGH EXCESSIVE 6TH
FREEDOM TRAFFIC. THE US HAS PREVIOUSLY COMPLAINED OF
THIS PRACTICE, BUT UNTIL ENACTMENT THIS AUGUST OF
ARTICLE 21, WHICH PERMITS THE CAB TO DISAPPROVE
FLIGHT SCHEDULES, THE CAB HAS NOT HAD A SUFFICIENTLY
STRONG POSITION TO COMPEL KLM COMPLIANCE.

6. TALKS BEGAN OCTOBER 21 IN THE HAGUE BETWEEN DUTCH TEAM AND US DELEGATION, INCLUDING CAB MEMBERS WEST AND O'MELIA, UNDER THE ABLE LEADERSHIP OF DEPUTY ASST. SECRETARY WALDMANN. THE US OPENING POSITION REQUESTING 60 PERCENT REDUCTION IN KLM TRANSATLANTIC TRAFFIC STAGGERED THE DUTCH. ONLY DEFT NEGOTIATION BY US DELEGATION KEPT DISCUSSIONS GOING -- AND ONLY OPTICAL CONCESSIONS WERE OBTAINED BY EITHER SIDE PRIOR TO ADJOURNMENT.

7. WE APPRECIATE -- AND HAVE STRESSED TO DUTCH -- THE SEMI-AUTONOMOUS STATUS OF CAB AND THE STATUTORY PARAMETERS WHICH LIMIT ITS POLICY CONSIDERATIONS TO IMPLEMENTATION OF AIR AGREEMENTS AND THE WELL-BEING OF AMERICAN CARRIERS -- BUT THIS IS A NICETY WHICH IS NOT UNDERSTANDABLE TO THE DUTCH WHO LOOK AT THE CAB AS PART AND PARCEL OF THE ENTIRE US ADMINISTRATION.

8. THAT THE NEGOTIATIONS HAVE STRUCK A RAW NERVE WITH THE DUTCH GOVT AND PUBLIC IS EVIDENT IN ALL QUARTERS. THIS IS NOT TO SAY THAT THE DUTCH POSITION IS EQUITABLE -- INDEED IT IS NOT, FOR THERE IS NO DOUBT THAT KLM HAS BEEN IN SUBSTANTIAL VIOLATION OF LETTER AND SPIRIT OF BILATERAL. NONETHELESS, THE PUBLIC AND GOVERNMENTAL OUTCRY IS A FACT OF POLITICAL LIFE HERE. I HAVE PERSONALLY RECEIVED THREE SEPARATE AND SPECIFIC COMPLAINTS FROM FONMIN VAN DER STOEL, WHO, UNABLE TO ARRANGE MEETING WITH SECRETARY KISSINGER IN ROME, HAS JUST DELIVERED LETTER TO US FOR TRANSMITTAL TO SECRETARY REQUESTING A PERSONAL MEETING ON THE ISSUE QTE BEFORE IRREVOCABLE STEPS ARE TAKEN UNQTE (SEPTTEL) TRANSPORTATION MINISTER WESTERTERP (WHO WILL HEAD DUTCH DELEGATION TO WASHINGTON) HAS
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HAD SEVERAL LONG CONVERSATIONS WITH US. BUSINESS AND UNIONS HAVE BOTH GOTTEN INTO ACT. THE MEDIA HAS CAST THE NEGOTIATIONS IN TERMS OF DAVID AND GOLIATH-- BUT WITH GOLIATH WINNING.

9. IT IS OBVIOUS THAT KLM, WHICH HOLD S A SPECIAL, ALMOST UNIQUE, PLACE IN THE PSYCHE OF THE AVERAGE NETHERLANDS CITIZEN, IS FIGHTING WITH THE FULL BACKING OF ITS GOVERNMENT, TO MAINTAIN THE PRINCIPLE THAT IT IS ENTITLED TO A SIGNIFICANT AMOUNT OF 6TH FREEDOM TRAFFIC. IT IS ALSO FIGHTING TO AVOID ANY SERIOUS CURTAILMENT OF ITS REVENUE AT A TIME WHEN IT IS ALREADY OPERATING WITH LARGE LOSSES (KLM ANTICIPATES A DEFICIT OF APPROXIMATELY 40 MILLION DOLLARS IN 1974).

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ACTION SS-25

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FM AMEMBASSY THE HAGUE

TO SECSTATE WASHDC PRIORITY 4663

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S E C R E T SECTION 2 OF 2 THE HAGUE 5393

EXDIS

10. IT IS AGAINST THIS BACKGROUND THAT THE CIVIL AVIATION TALKS AND THE LWF REPLACEMENT DECISION ARE CONVERGING. REAMS HAVE BEEN COMMUNICATED OVER THE BILLION DOLLAR FINANCIAL DESIRABILITY OF AN AMERICAN LWF SELECTION BY THE CONSORTIUM. IN OUR JUDGMENT THE POLITICAL AND MILITARY ADVANTAGES ARE NO LESS IMPORTANT. SINCE THE US WILL BE STATIONING 200 AMERICAN LWF IN EUROPE AND HAVE ANOTHER 450 IN ITS INVENTORY, FOR THE CONSORTIUM TO SELECT A DIFFERENT LWF WOULD BE A STAGGERING BLOW TO THE WHOLE CONCEPT OF COMMONALITY AND STANDARDIZATION. BECAUSE THE EUROPEAN LWF CANDIDATES ARE GENERATIONALLY INFERIOR TO OURS, THEIR INCLUSION IN THE NATO INVENTORY WOULD BE A STEP BACKWARD FROM THE DESIDERATA OF FORCE IMPROVEMENT. A FURTHER PERTINENT CONSIDERATION IS THE PREDICTABLE UNRAVELING OF THE PRESENT STRONG RELATIONSHIP BETWEEN OUR MILITARY ESTABLISHMENT AND THAT OF THE GON THAT WILL RESULT FROM THEIR SELECTION OF NON-AMERICAN AIRCRAFT.

11. WHILE IT MIGHT APPEAR THAT THE CIVIL AIR NEGOTIATIONS CAME AT AN UNFORTUNATE TIME, I BELIEVE THAT WE CAN TURN THESE NEGOTIATIONS TO OUR NATIONAL ADVANTAGE BY CONTINUING THEIR PENDENCY UNTIL AFTER THE DUTCH MAKE THEIR F-104 DECISION IN JANUARY. SINCE WE CANNOT BE POSITIVE THAT THE DUTCH WILL OPT FOR THE AMERICAN LWF THERE IS NO POINT IN OUR BEING
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CONCILIATORY IN THE CIVAIR MATTER UNTIL THEY DO SO.
IT IS EQUALLY OBVIOUS, HOWEVER, THAT THERE IS SURELY
NO POINT IN OUR INITIATING OR THREATENING ANY
UNILATERAL ACTION -- NO MATTER HOW LEGALLY OR EQUITABLY
JUSTIFIED -- WHICH WOULD ANTAGONIZE THE DUTCH IN
ADVANCE OF THEIR F-104 DECISION. WHATEVER THE
PROSPECTS MAY BE FOR DUTCH SELECTION OF THE AMERICAN LWF
THEY WILL CERTAINLY NOT BE IMPROVED BY AMERICAN
INITIATIVES IN THE CIVIL AIR FIELD WHICH WILL IRRITATE
THE DUTCH PUBLIC AS A WHOLE, ANTAGONIZE LABOR BY
FORCING KLM ENEMPLOYMENT, AND REVEAL KEY GOVERNMENT
FIGURES TO BE POWERLESS IN THE EVENT.

12. RECOMMENDATION. IT IS, THEREFORE, OUR URGENT
RECOMMENDATION THAT THE CAB NEGOTIATION BEGINNING
MONDAY, NOVEMBER 11, BE CONDUCTED IN SUCH A MANNER
THAT, WITHOUT YIELDING ANY AMERICAN POSITION, THEY NOT
BE INTERPRETED BY THE DUTCH AS THREATENING AND THAT
THEY BE KEPT OPEN UNTIL AFTER THE DUTCH HAVE DECLARED
THEMSELVES AS TO THE LWF SELECTION.
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